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Beverage Industry

AN HBJ PUBLICATION

FEBRUARY 1985

Beverage consumption up

Soft drinks, juice, bottled water pace gains

by Michelle Palmer
Associate Editor

SPECIAL REPORT—Consumers reached for refreshing and healthy beverages in 1984, with soft drinks, juices and bottled water ranking as prime movers in the category.

Beverage Industry's liquid consumption data, supplied by director of research and statistics John C. Maxwell Jr., indicates soft drinks jumped 4% in per capita consumption ovèr last year, from 41.5 to 43.2 gallons annually.

The fastest mover in the beverage category was bottled water, which marked an impressive 11.1% gain in per capita usage over 1983.

Juice also sparked much consumer interest along the health and nutrition lines, boasting a 5.2% increase over the previous year.

(Continued on page 38)

Pepsi, 7UP swap plants in Canada

by Paul E. Mullins
Editor

NEWS ANALYSIS — Announcement of the agreement between Pepsi-Cola and Seven-Up to exchange company-owned facilities in Canada strengthens all parties.

Subject to the approval of the Canadian government, the parent company-owned Pepsi plants in Toronto and Ottawa will be acquired by Seven-Up. The Seven-Up plant in Montreal will be taken over by Pepsi's Canadian operations.

Seven-Up's Montreal operation is considered a strong, aggressive competitor. The combined franchises will have an approximate 36% market share (vs. leader Coke's 44).

Combining the Pepsi and Seven-Up volumes in Toronto also strengthens these operations, although there will still be considerable distance between these operations and Coke's franchises in Canada.

The loser in the transaction turns out to be Royal Crown which had franchised the three parent company-owned Seven-Up operations involved.

At presstime, Royal Crown executives were in Canada screening potential new franchises. □

BI Report

■ **COCA-COLA'S acquisition of Coke-Louisiana is on hold. Members of the Freeman family who sold their stock last year have filed suit claiming they had been misled into selling their shares. Coca-Cola had announced a definitive agreement to purchase the franchise in late December. Subsequently, a spokesperson for the firm said the decision to withdraw from the deal was based upon a number of factors, of which the family lawsuit was one. Coke-Louisiana reportedly was preparing to sue Coca-Cola, charging violation of contract.**

■ **NSDA NAMES Julie P. McCahill as new vp-communications. McCahill comes to the association from Mead Corp. where she was senior Washington representative with responsibilities in public af-**

(Continued on page 62)

CMI launches cost-cutting program

WASHINGTON, DC—The Can Manufacturers Institute has embarked on a program to make it easier for soft drink canners to help cover the cost of new can multi-pack wraps and equipment.

The Canpack program challenges participants to exceed their prior 12-month soft drink can purchases from participating can companies by five percent. Those companies reaching or surpassing their goal are awarded incentive points to be used as credit.

Already CMI reports more than 100 canners have taken advantage of this opportunity.

"Getting more product into consumers' homes is what it's all about," explains Michael Dunn, president, CMI, "and multi-pack cans are a great way of doing just that." CMI defines multi-packs as cans sold in packages of 12 or 24.

According to Dunn, multi-packing has been a major factor in the rebound in can sales growth over the past two years. Soft drink can shipments grew 8.1% in 1983 and were up 9.9% through October 1984, nearly double overall

(Continued on page 37)

Improving line efficiency: experts tell how it's done

SPECIAL REPORT—When South Atlantic Canners realized its 1,500 cpm canning line wasn't providing its burgeoning market the needed volume, it had two options: revamp the line or build a new one.

The Bishopville, SC, bottler opted to build a new one. By the end of 1986, general manager Edward Mizell anticipates the line will approach 2,350 cpm while canning 28 brands for its co-op members.

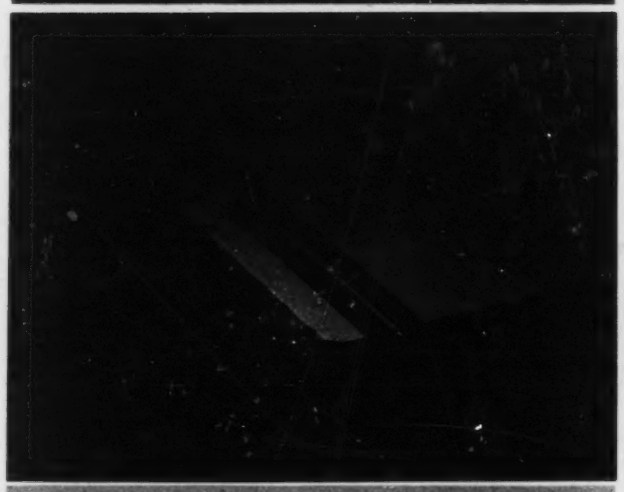
Other bottlers and brewers face the same problem, whether to make improvements on an existing line or build a new one. Often cost is the deciding factor.

Improving the productivity of a bottling line is a complex engineering task. It's not as simple as buying a new piece of equipment.

Says consultant Frederic Fenster: "Anybody can go out

(Continued on page 43)

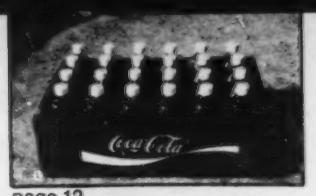
BI Now Package



When less is more

Mead Packaging's new Unishipper cuts packaging costs by eliminating the need for corrugated shipping trays for 12-can packs. See page 34 for the story.

Features



page 12

page 16

6 **Aseptics conference slated**
How to tap the adult market will be one of the featured subjects at Aseptipak '85, the Third International Conference on Aseptic Packaging, April 22-24 in Princeton, NJ.

9 **Building corporate wealth**
In his second installation, Marion B. Glover says few executives realize they can double or triple the value of their business in a short time by managing several critical factors.

12 **Plastic case offers big savings**
A North Carolina Coca-Cola bottler has discovered a way to save time and money with a new plastic case from Piper-CasePro.

16 **Up with ginseng**
Ginseng Up Corp. has enjoyed dramatic growth since 1982 with sales up 588%, the company reports. And now it expands its flavor line.

18 **Packaging update**
BI kicks off its new *Purchasing Report series* with an update from bottlers and suppliers on secondary and tertiary packaging.

22 **Battleground: Philadelphia**
Marty Westerman continues his *Battleground Series* in a city where bygone eras still live. The complete beverage market is profiled in the City of Brotherly Love.

Departments

Reader Service 7
NOW Package 34
Security 46
Beverage Indicators ..52
New Products 53
Supply House 54
Newsmakers 55
Classified 57
Editorial 64

Soundoff

Analyst: steel to make comeback as beverage package

"Certain members of the American steel and packaging industries have continued to improve the steel container because they recognize that there are about 250 draw and iron beverage can lines in America and almost all are convertible to steel. Today beverage customers who specify steel beverage cans, instead of aluminum, are saving about $7 per 1,000 cans.

"... Drawn and ironed steel prices for cans have not been raised since January 1, 1981, but aluminum can sheet jumped 23% between September 1, 1983, and April 1984.

"... The steel industry's recent accomplishments suggest that it is poised to recover its lost share of the beverage can market. Furthermore, should the amount of aluminum cans recycled decline, then the steel can's cost advantage could increase further. Packaging is a chess game but without a checkmate."

H. Edward Schollmeyer
packaging analyst
Paine, Weber, Mitchell, Hutchins

At a seminar sponsored by the American Iron and Steel Institute, at InterBev '84 in Chicago.

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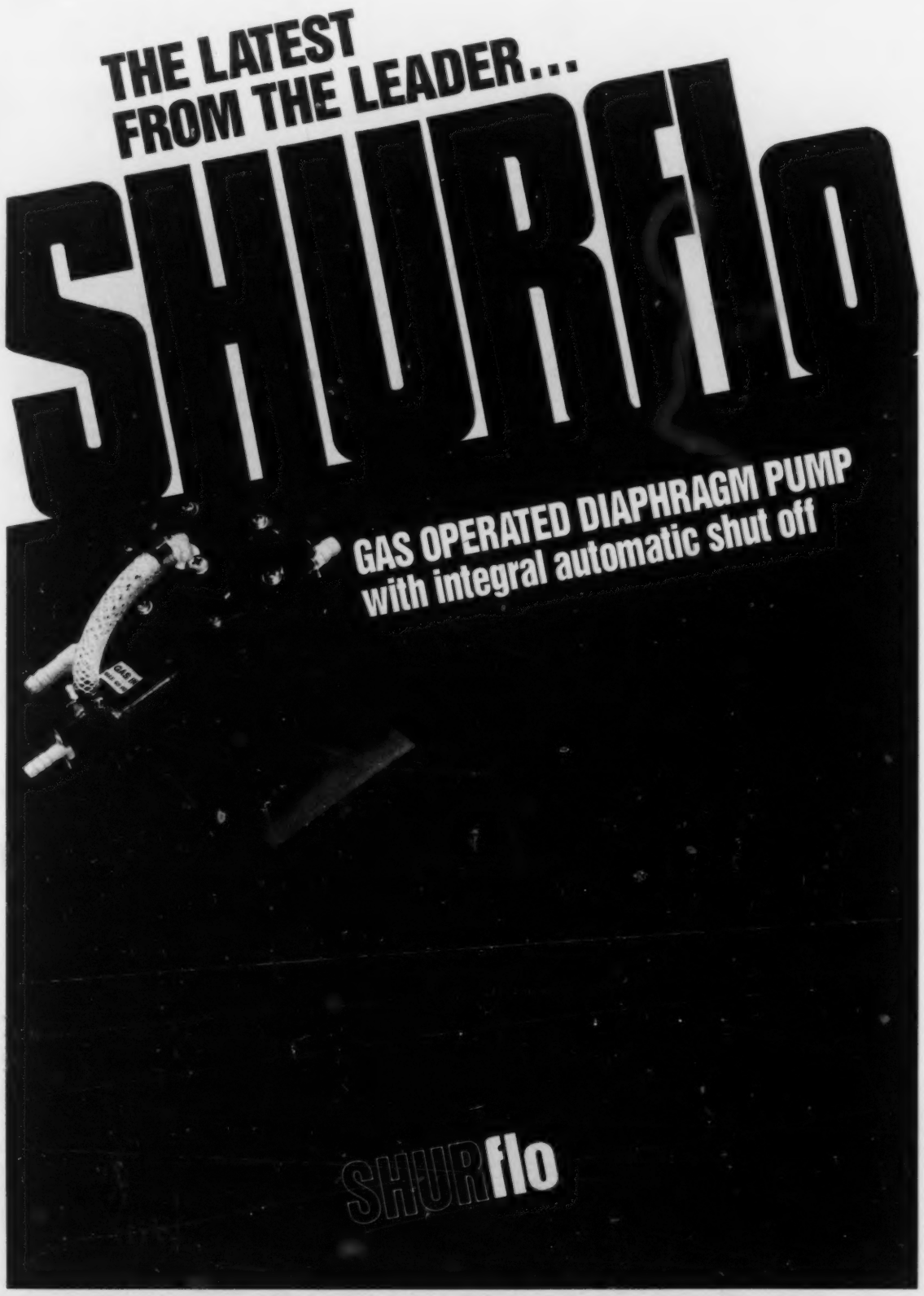

U.S. liquid consumption trends (gallons per capita)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984E
Soft Drinks	19.1	20.3	22.3	23.5	24.8	25.9	27.0	28.6	30.1	31.5	31.4	31.0	33.7	35.9	37.1	38.1	38.8	39.5	40.1	41.5	43.2
Coffee*	38.6	37.8	37.4	37.0	37.0	36.2	35.7	35.3	35.2	35.1	33.8	33.0	29.4	28.0	27.0	29.2	28.7	28.5	27.8	27.0	27.3
Beer	15.9	15.9	16.5	16.8	17.3	17.8	18.5	19.2	19.7	20.5	21.3	21.6	21.8	22.5	23.1	23.8	24.5	24.7	24.4	24.3	24.0
Milk #	25.9	26.0	25.9	25.3	25.6	25.3	23.1	23.0	23.1	22.7	22.0	22.1	21.9	21.5	21.3	21.0	20.7	20.4	20.0	20.9	21.1
Juices	3.5	3.8	4.0	4.8	4.7	4.8	5.2	5.7	6.0	5.2	6.1	6.8	6.8	6.8	6.5	6.7	6.9	6.7	6.8	7.7	8.1
Tea*	6.3	6.3	6.3	6.4	6.6	6.6	6.5	6.7	6.8	7.2	7.3	7.3	7.4	7.7	7.7	7.6	7.3	7.5	7.5	7.2	7.3
Powdered Drinks	-	-	-	-	-	-	-	-	-	-	-	4.8	5.5	5.9	6.1	6.0	6.0	6.0	6.0	6.5	6.3
Wine	1.0	1.0	1.0	1.0	1.1	1.2	1.3	1.5	1.6	1.7	1.7	1.7	1.7	1.8	2.1	2.2	2.3	2.3	2.3	2.4	2.5
Bottled Water	-	-	-	-	-	-	-	1.1	-	-	-	1.2	1.2	1.3	1.4	1.5	1.5	1.9	2.2	2.7	3.0
Distilled Spirits	1.4	1.5	1.6	1.6	1.7	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.8	1.8
Subtotal	111.9	112.6	115.0	116.4	118.8	119.6	119.1	123.0	124.4	125.8	125.6	131.5	131.4	133.4	134.3	138.1	138.8	139.5	139.0	142.0	144.6
Imputed Water Consumption§	70.8	69.9	67.5	66.1	63.7	62.9	63.4	59.5	58.1	56.7	56.9	51.0	51.1	49.1	48.2	44.4	43.7	43.0	43.5	40.5	37.9
Total	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5	182.5

* Coffee and Tea data are based on a three-year moving average to counterbalance inventory swings, thereby portraying consumption more realistically. Tea numbers have been restated to reflect this.
§ Includes all others.
≠ Certain milk figures have been changed based on revisions in USDA data.
R – Revised.
NA – Not available

Sources: USDA, DSI, NABI, ABWA, Laidlaw Ansbacher Research estimates.

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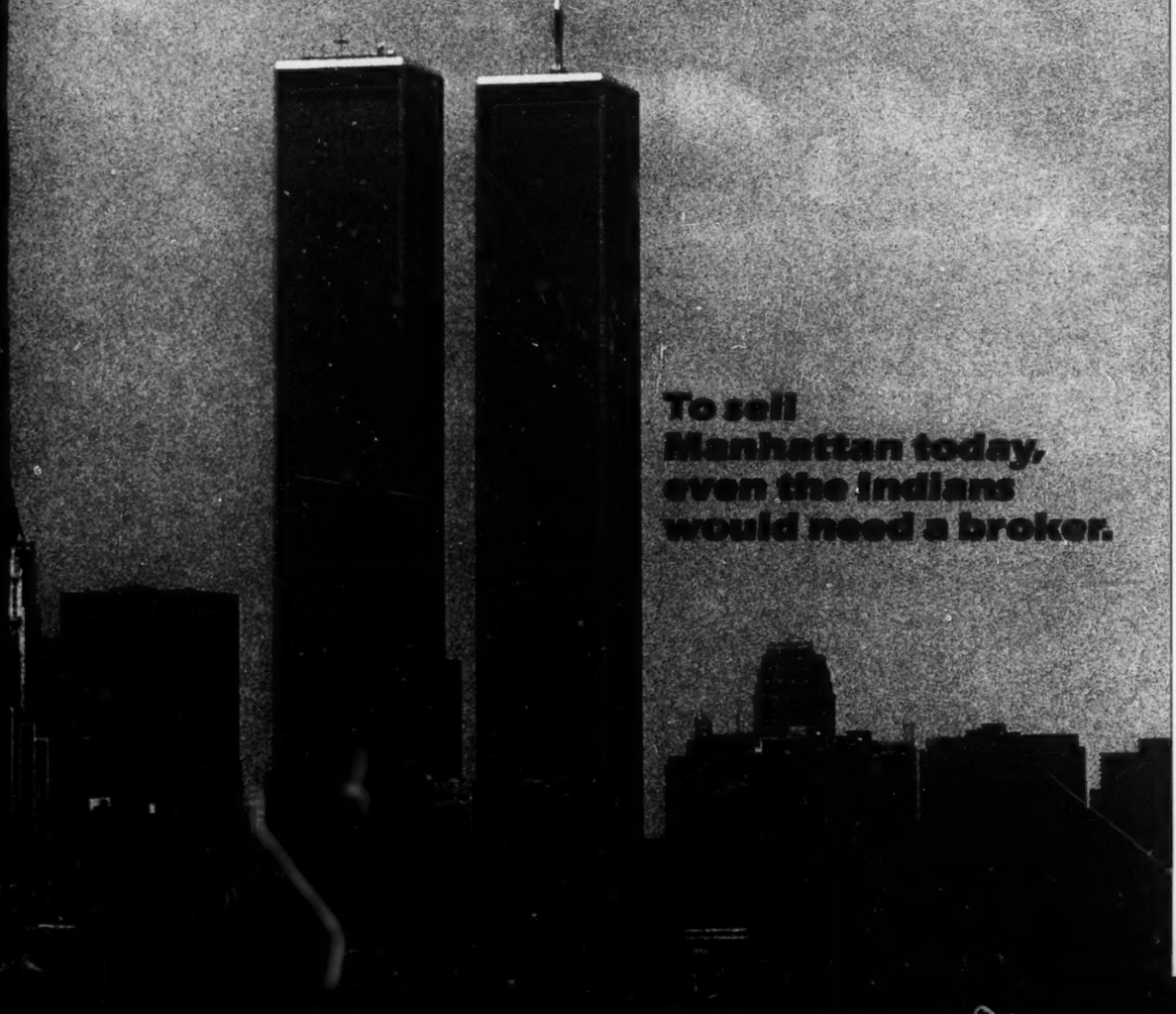

Soft drinks, juice, water pace gains

(Continued from page 1)

On the other hand, distilled spirits usage remained stagnant, and beer consumption lost ground to the tune of about 1.2%.

The entire liquid category enjoyed a per capita consumption climb of 1.7%. Total liquid consumption is estimated to be 182.5 gallons, including imputed water, which is computed by subtracting known beverage consumption from the total.

Soft drinks success

Marking the largest gain in many years, soft drinks had an exceptional year. In fact, for the first time in history, the amount of soft drinks consumed surpassed even water, in terms of per capita usage.

Soft drinks tallied in at 43.2 gallons for the year, compared with 41.9 gallons of water, including both tap and bottled varieties.

Since 1964, soft drink consumption has increased by 126%, accounting for about one-fourth of all liquids consumed.

But 1984 saw a larger than usual increase. Some credit the onslaught of new products as the guiding force in the industry last year; others see a public trend away from alcoholic beverages as combining with new products to aid the popularity.

Segmentation's effect

"One of the major reasons for the rise was from the market segmentation, meaning all the calorie-, sodium- and caffeine-free products," says Bob Delauter, former NSDA chairman and chairman of the board of Coca-Cola Bottling Co., Portland, OR. "And all those segments have been appealed to by all the various companies."

John Frazier, NSDA chairman, also chairman of the

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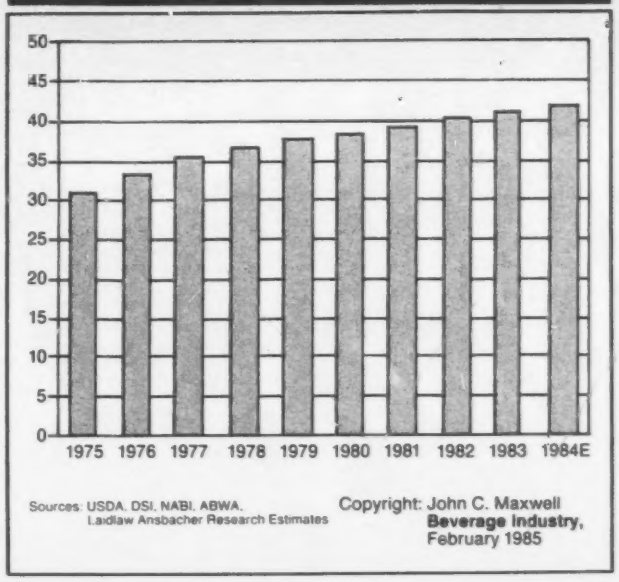
Seven-Up Bottling Co., Wichita, agrees. "When you have lots of action in a category, you sell more product," Frazier notes. "The cola market was segmented a great deal, so there was more interest there.

"Also," Frazier points out, "the products were better tasting." The addition of aspartame to many low-calorie drinks was credited with boosting the diet category significantly.

Along with the new products, larger packaging may also have played a role in the increase, Delauter feels. "Packaging, with all the pressure on larger sizes, has also helped sales," he notes.

Soft drink consumption (gallons per capita)



Sources: USDA, DSI, NABI, ABWA, Laidlaw Ansbacher Research Estimates

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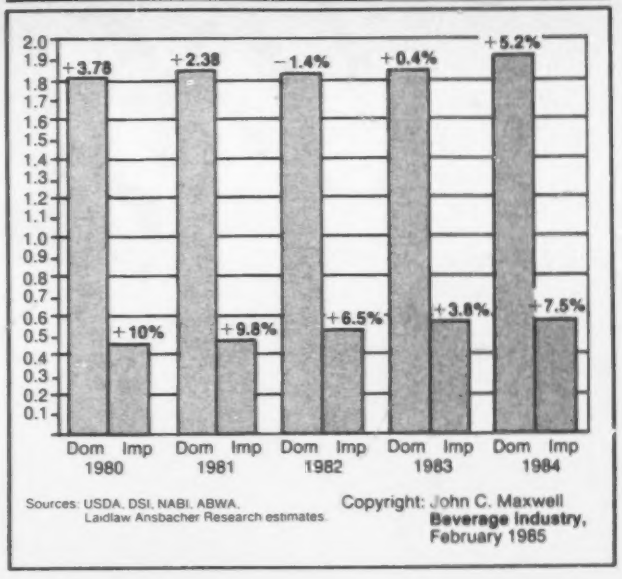
Wine consumption (gallons per capita)



Sources: USDA, DSI, NABI, ABWA, Laidlaw Ansbacher Research estimates.

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More upward trends

Juices made quite a splash with consumers last year, reaching a total of 8.1 gallons of 100% juice per capita for an increase of 5.2% over last year.

"The major reason for this is the trend to natural beverages," explains George Dejager, market research director for the Florida Dept. of Citrus. "People are getting more concerned over what they put in their bodies."

He also indicated that Procter & Gamble's introduction of Citrus Hill orange juice, and all its associated marketing, helped boost sales of not only that brand, but the entire category as well.

Much of the growth in the orange juice market has been fueled by the ready-to-serve segment for the past few years, Dejager notes.

If the Florida canker situation remains in control and the winter passes without a freeze, Dejager predicts a stabilization of orange juice prices for 1985, along with another 4-5% jump in consumption.

Along with the 100% juice market, juice drinks have shown a turnaround, which may be attributed to the popularity of aseptic packaging.

"It had been a declining category in past years, but aseptic packaging has changed it to an increase," he notes.

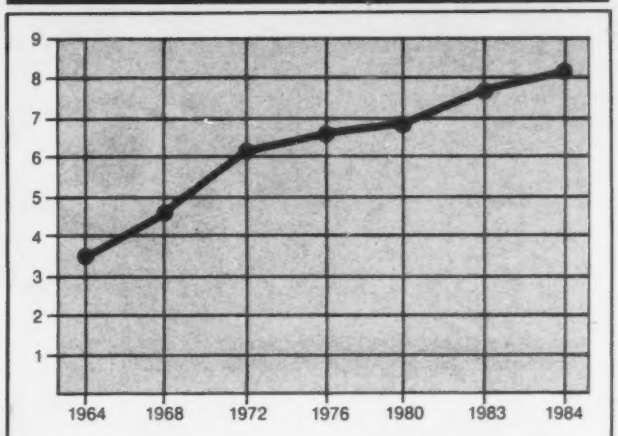
According to Dejager, the aseptic processing is limited in 100% products, but is effective for the specially formulated juice drinks.

The fastest mover in the beverage category, according to the liquid consumption data, was bottled water, which at an even three gallons and 11.1% increase, is growing at a frenzied pace.

According to William Deal, executive vice president of International Bottled Water Assn., regular bottled water has cornered about 90% of the bottled water market, with carbonated waters accounting for the remaining 10%.

People are drinking bottled water because of concerns with public water supplies, and because they feel it's healthier than water from the tap. Carbonated water has be-

Juice consumption (gallons per capita)



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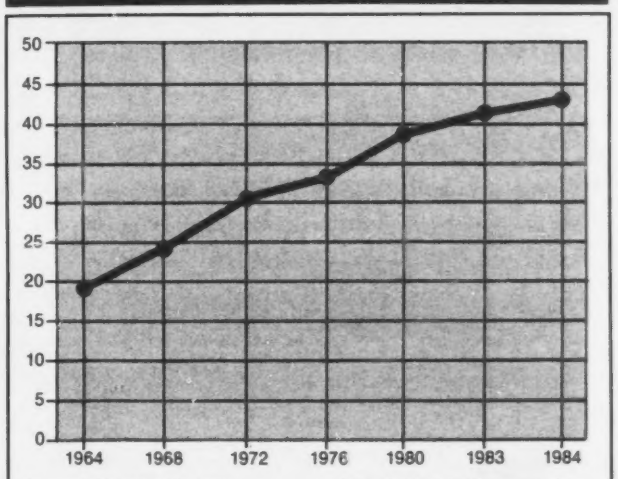
Soft drink consumption (gallons per capita)



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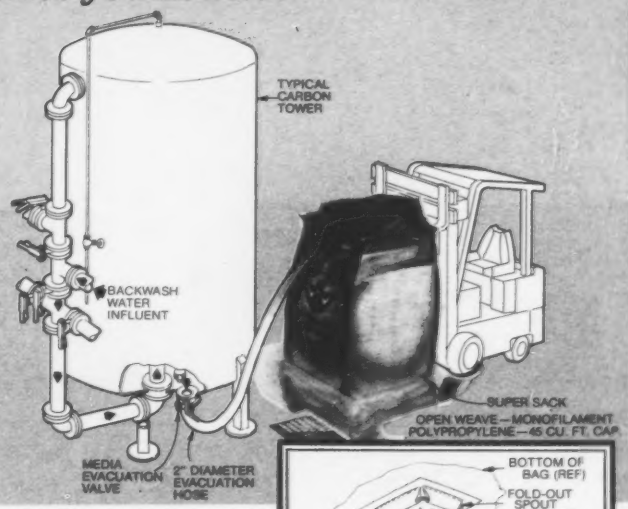
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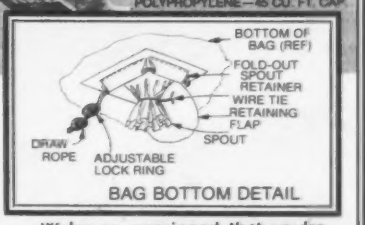

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